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ABSTRACT

This paper discusses alternative methods for financing education including sales and compensating taxes, mineral leasing, and land income. The author discusses the problem of local control under a full State funding system. He warns that merely allocating money to school districts on an equal basis will fail to accomplish equal education unless other factors influencing educational quality are adjusted accordingly. (JF)

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Finding New Ways to Finance Public Education

by
Harry Wugalter

WHEN HAROLD WEBB SO GRACIOUSLY INVITED ME TO ATTEND AND PARTICIPATE IN THE CLINIC, I ASKED IF HE COULD PROVIDE ME WITH A THEME THAT MIGHT BE OF SOME USE AS A SPRINGBOARD FOR ME TO DIVE INTO THE PRESENTATION. THE ONE HE PRESENTED IS INTERESTING - "IT HAS BEEN PAINFULLY CLEAR FOR A LONG TIME THAT THE LOCAL REAL ESTATE TAX CAN NO LONGER BEAR THE MAJOR SHARE OF FINANCING PUBLIC EDUCATION. CERTAINLY FEDERAL AND STATE AID MUST BE INCREASED. BUT IS THAT ENOUGH? IS THERE A NEED FOR NEW AND INNOVATIVE WAYS -- FULL-STATE FUNDING, FOR EXAMPLE -- TO FINANCE EDUCATION?" I WAS INTERESTED IN THAT PORTION OF THE THEME - "IT HAS BEEN PAINFULLY CLEAR FOR A LONG TIME . . . .". I THOUGHT I WOULD FIND OUT JUST HOW LONG IT REALLY HAS BEEN AND, THEREFORE, REVIEWED OUR EDUCATIONAL PATTERNS TO FIND WHERE WE WERE AND WHETHER OR NOT WE HAD PROGRESSED.

DURING THE EARLY COLONIAL DAYS PUBLIC EDUCATION WAS DECENTRALIZED AND DEPENDENT UPON LOCAL SUPPORT. EACH COLONY CONDUCTED ITS PROGRAM IN ACCORDANCE WITH ITS CONCEPTIONS OF EDUCATION AND WITHIN ITS OWN GOVERNMENTAL AND FINANCIAL STRUCTURE. THESE EARLY AUTONOMOUS SCHOOLS WERE FINANCED BY A VARIETY OF TECHNIQUES. SOME USED A PER CAPITA TAX ON PARENTS WHO SENT CHILDREN TO SCHOOL; OTHERS USED RATE BILLS, FINES, ORGANIZED LOTTERIES AND LICENSE TAXES TO NAME JUST A FEW. THE SCHOOLS, WHETHER PUBLIC, PRIVATE OR OF A RELIGIOUS NATURE, WERE CONSIDERED A PERSONAL MATTER AND VERY CLOSE TO THE PEOPLE. IN EFFECT, WE HAD THE NEIGHBORHOOD SCHOOL CONCEPT, AND THE HOPES AND ASPIRATIONS OF THE PEOPLE OF THAT COMMUNITY WERE PERSONIFIED THROUGH THE SCHOOL.

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COMPULSORY TAX SUPPORT OF SCHOOLS WAS SLOW IN COMING AND DIFFICULT TO ACHIEVE. PERMISSIVE LEGISLATION WHICH PROVIDED THE VOTERS WITH THE RIGHT TO DECIDE WHETHER SCHOOLS SHOULD BE SUPPORTED BY GENERAL TAXATION OR BY SUBSCRIPTION WAS INTRODUCED OVER 150 YEARS AGO. FROM 1820 THROUGH 1850 THE STATES OF MARYLAND, NEW JERSEY, MISSOURI, ILLINOIS, OHIO AND INDIANA WENT THROUGH A SERIES OF LEGISLATIVE BATTLES FOR THE PURPOSE OF ESTABLISHING A PATTERN OF SCHOOL SUPPORT THROUGH TAXATION. THE MAJOR OBJECTIVE AT THAT TIME WAS TO OBTAIN SOME GUARANTEED MEANS OF FINANCING SCHOOLS. THE HIGH POINT CAME IN 1872 WITH THE KALAMAZOO CASE THAT ONCE AND FOR ALL ESTABLISHED THE PRINCIPLE OF UNIVERSAL TAXATION FOR THE SUPPORT OF HIGH SCHOOLS AND ADMINISTRATION.

THROUGHOUT THE STRUGGLE FOR SOME GUARANTEED FINANCIAL ASSISTANCE FROM VARIOUS GOVERNMENTAL LEVELS, THE EARLY AUTONOMOUS SCHOOL HAD TO CONCEDE SOME OF ITS AUTHORITY. AS STATUTES PROVIDED STATE AID FOR LOCAL SCHOOLS, THE VARIOUS STATES REQUIRED SOMETHING IN RETURN. AS EARLY AS 1797, VERMONT REQUIRED TOWN SUPPORT OF SCHOOLS ON PENALTY OF FORFEITING STATE ASSISTANCE. THE STATE OF MASSACHUSETTS MADE LOCAL TAXATION COMPULSORY IN 1827. IT BECAME EVIDENT QUITE SOME TIME AGO THAT THE DISTRIBUTION OF TAXES COLLECTED BY THE STATES FOR SUPPORT OF SCHOOLS WITHIN THE STATE GAVE THAT LEVEL OF GOVERNMENT MORE AUTHORITY TO ENFORCE LOCAL TAXATION. IT MUST HAVE BEEN A BLESSING FOR THE EARLY NINETEENTH CENTURY EDUCATOR BECAUSE WE CAN IMAGINE AN ADMINISTRATOR OF THAT TIME CAUTIONING A TOWN COUNCIL AND SAYING: "IF WE DON'T RAISE LOCAL TAXES WE WILL LOSE THE STATE AID." INCIDENTALLY, THAT IMAGINARY STATEMENT IS HEARD AGAIN IN 1972.

AS STATE ASSISTANCE, EVEN ON A LIMITED BASIS, BECAME A REALITY, IT DIDN'T TAKE LONG FOR SOME STATES TO RECOGNIZE THAT SIMILAR SUMS DISTRIBUTED ON A PER PUPIL BASIS DID NOT DO THE JOB. THE TERM "EQUALIZATION" THAT IS NOW POPULAR IN EDUCATIONAL CIRCLES WAS A MATTER OF CONCERN AS FAR BACK AS 1874. FOR EXAMPLE,

A MASSACHUSETTS LAW PROVIDED THE DISTRIBUTION OF SPECIAL STATE AID TO RURAL SCHOOL DISTRICTS BECAUSE THE CITIES HAD GREATER TAXING POTENTIAL. IN 1881 THE STATE OF NEW JERSEY ESTABLISHED A DISCRETIONARY RESERVE FUND AT STATE LEVEL TO PROVIDE ADDITIONAL SUPPORT FOR PARTICULAR SCHOOL DISTRICTS. BY THE EARLY TWENTIETH CENTURY ABOUT TEN STATES HAD SOME EQUALIZATION FACTORS INCLUDED IN THE STATE FINANCE PROCESS.

STATE ASSISTANCE CONTINUED, BUT WAS MINIMAL. THE STATE EDUCATIONAL LEADERSHIP WAS CONFINED TO LICENSURE, MINIMAL PROGRAM STANDARDS, AND GENERALLY REMAINED UNINVOLVED IN GOVERNMENTAL AFFAIRS. THE AD VALOREM TAX EMERGED AS THE MOST RELIABLE AND BECAME THE OXEN THAT STEADILY PULLED THE EDUCATIONAL LOAD. INCREASES IN ENROLLMENT, COMMUNITY DEMANDS FOR BROADER PROGRAMS, IMPROVED SERVICES AND, ABOVE ALL, INCREASED COSTS KEPT ADDING TO THE DISTRICT'S EDUCATIONAL MAINSTAY - THE PROPERTY TAX.

WITH ALL OF ITS INEQUITIES, OUR OLD FRIEND AD VALOREM BEGAN TO FALTER AND REBEL AT THE EVER-INCREASING LOAD; HOWEVER, SINCE OTHER ALTERNATIVES WERE NOT FORTHCOMING AND SINCE THE PROPERTY REMAINED, EVEN THOUGH THE PEOPLE LEFT, IT WAS STILL REGARDED AS THE MEANS OF BOTH MEASURING AND TAXING WEALTH.

I WILL NOT RELATE THE SERRANO VS. PRIEST DECISION AND ITS MANY IMPLICATIONS. I'M SURE ALL OF YOU HAVE HAD THE OPPORTUNITY TO REVIEW THE BRIEF AND THE MANY THOUSANDS OF WORDS WRITTEN SUBSEQUENTLY. ALTHOUGH THIS DECISION IS OF GREAT IMPORTANCE BECAUSE IT POINTED OUT DRAMATICALLY THE UNEQUAL EXPENDITURE PER PUPIL WHICH EXISTS AMONG OUR SCHOOL DISTRICTS, THIS KNOWLEDGE HAS EXISTED FOR A LONG TIME AND WAS NOT DISCOVERED BY THE CALIFORNIA SUPREME COURT. RATHER, IT WAS RECOGNIZED AND IDENTIFIED BY THE COURT AND THE STATES WERE INSTRUCTED TO TAKE A LOOK AT WHAT IS HAPPENING AND COME UP WITH SOME REASONABLE SOLUTION. AT A RECENT EDUCATION COMMISSION OF THE STATES MEETING, A NUMBER OF US HAD THE OPPORTUNITY TO LISTEN TO STEPHEN SUGARMAN, THE MAJOR ATTORNEY FOR THE URBAN

COALITION LEAGUE THAT PRESSED THE CASE, AS WELL AS JOHN SILARD, A WASHINGTON ATTORNEY. IT WAS READILY APPARENT TO THOSE OF US WHO ARE ACTIVELY ENGAGED IN EDUCATIONAL FINANCING THAT THE SOLUTIONS REQUIRED WERE INDEED DIFFICULT TO CONSTRUCT OR IMPLEMENT. MR. SILARD PRESENTED THE ECS WITH FOUR OPTIONS, ONE OF WHICH WAS SIMPLY DOING AWAY WITH THE LOCAL SCHOOL DISTRICTS AND HAVING ONE GOVERNMENTAL AGENCY TO BOTH TAX AND ALLOCATE FUNDS FOR THE SUPPORT OF SCHOOLS. TO SOME, THAT SEEMS TO BE THE MOST SIMPLE SOLUTION; HOWEVER, IT IS OBVIOUS TO THOSE OF US WHO HAVE HAD PRACTICAL EXPERIENCE IN PUBLIC EDUCATION THAT WE ARE NOT DEALING WITH A PROBLEM AS SIMPLE AS THAT OF REAPPORTIONMENT. IF ONE MAN REQUIRES ONE VOTE FOR EQUAL REPRESENTATION, IT IS RIDICULOUS TO BELIEVE THAT ONE DOLLAR FOR ONE CHILD WILL PROVIDE EQUAL EDUCATIONAL OPPORTUNITIES.

WE, IN NEW MEXICO, HAVE HAD THE EXPERIENCE OF SUBSTANTIAL STATE SUPPORT AND, CONVERSELY, MINIMAL DEPENDENCE UPON EITHER THE AD VALOREM TAX OR LOCAL PARTICIPATION. WHETHER WE DID IT BY DESIGN OR INADVERTENTLY, OUR STATE RESPONDED TO THE NEED BY PROVIDING AN EARMARKED 2% GROSS SALES TAX IN THE EARLY 1930'S. PRIOR TO THE STATE'S INVOLVEMENT, OUR SCHOOLS OPERATED ON A CATCH AS CATCH CAN BASIS -- IF THE PROPERTY TAXES CAME IN, IT PAID THE TEACHERS. IF THEY DIDN'T, A MINIMAL PROGRAM WAS FURTHER REDUCED. THIS SHIFT IN THE RESPONSIBILITY OF PROVIDING FUNDS FROM THE LOCAL AND COUNTY UNITS TO THE STATE LEVEL WAS DRAMATIC AND CERTAINLY CAUSED INEQUALITY OF EDUCATIONAL OPPORTUNITY TO BE BROUGHT TO THE EXECUTIVE AND LEGISLATIVE ATTENTION. NEW MEXICO MOVED IN THIS DIRECTION BECAUSE SCHOOL DISTRICTS REQUIRED MONEY FOR EDUCATION SUPPORT WITH SOME SORT OF ASSURANCE THAT IT WOULD BE AVAILABLE WHEN REQUIRED. WE BELIEVE WE'VE DONE QUITE WELL IF WE MEASURE OUR DOLLAR INVESTMENT IN RELATION TO OUR ABILITY. THE 1970 ISSUE OF THE NEA'S FINANCIAL STATUS OF PUBLIC SCHOOLS REVEALS SOME INTERESTING STATISTICAL ANOMALIES. NEW MEXICO IS LISTED AS 33 FROM THE TOP FOR 1969-70 FOR CURRENT EXPENDITURE PER PUPIL IN ADA, AND IN THE SAME REPORT WE

ARE RANKED THIRD FROM THE TOP FOR STATE AND LOCAL REVENUES AS A PERCENT OF TOTAL INCOME (FOR SCHOOLS). INCIDENTALLY, SUCH STATISTICAL COMPARISONS ARE QUITE FRUSTRATING IN THAT WE DO THE BEST WE CAN AND FIND, WITH OUR SHOULDER TO THE WHEEL, NATIONAL STATISTICS STILL PLACE OUR TEACHER SALARIES AND DOLLARS SPENT PER CHILD BELOW THE NATIONAL AVERAGE. SOME STATES, WITH A MUCH SMALLER EFFORT IN RELATION TO THE POTENTIAL, ARE ABLE TO PULL THE LOAD WITH THEIR LITTLE FINGER AND LEAD THE PACK IN THE AFOREMENTIONED STATISTICS. WE WERE PLEASED WITH THE FACT THAT OUR STATE WAS RANKED AS THE HIGH STATE IN THE NATION IN THE RECENT NATIONAL EDUCATIONAL FINANCE PROJECT'S VOLUME 5, "ABILITY AND EFFORT OF THE STATES TO SUPPORT EDUCATION", WHEN IT CAME TO STATE AND LOCAL REVENUE FOR ELEMENTARY AND SECONDARY EDUCATION AS A PERCENTAGE OF NET PERSONAL INCOME. I RECALL TELLING DR. R. L. JOHNS, WHEN THIS PUBLICATION WAS RELEASED, THAT IT'S NOT MUCH CONSOLATION TO BE RECOGNIZED AS THE HARDEST WORKER WHO RECEIVES A BELOW-AVERAGE WAGE.

WHEN WE THINK OF EQUALIZATION AMONG THE VARIOUS SCHOOL DISTRICTS, I HOPE WE KEEP IN MIND THAT THE UNEQUAL WEALTH POTENTIAL AMONG THE STATES CAUSES THE SERRANO DILEMMA ON A FAR GREATER SCALE.

WHAT ABOUT FULL STATE FUNDING AS THE SOLUTION? OUR STATE HAS NEVER HAD EXPERIENCE IN FULL STATE FUNDING, BUT I BELIEVE THAT OUR GENERAL FUND INVESTMENT OF ABOUT 75% IN PUBLIC EDUCATION PLACES US IN THE ENVIABLE POSITION OF AT LEAST HAVING HAD EXPERIENCE IN THIS FIELD. THERE ARE MANY ADVANTAGES WHEN THE TOTAL OPERATION IS CENTRALIZED AND THE LOCAL BOARD'S RESPONSIBILITY FOR FUNDING IS DIMINISHED. SINCE SO MUCH OF OUR GENERAL FUND TAX DOLLAR GOES FOR PUBLIC EDUCATION, THERE IS NO LACK OF INTEREST ON THE PART OF OUR LEGISLATURE AS WELL AS THE GENERAL PUBLIC TO FIND OUT WHAT BENEFITS ARE BEING DERIVED FROM THIS APPROPRIATION. THIS INTENSE INTEREST MANDATES THAT A SOUND AND VALID INFORMATIONAL BASE BE AVAILABLE AT THE STATE LEVEL. THIS DATA IS OF GREAT VALUE IN

ORDER THAT QUESTIONS BE ANSWERED PRECISELY AND JUSTIFICATION FOR APPROPRIATION REQUESTS BE PROVIDED RAPIDLY. THE NECESSITY FOR ACCURATE ACCOUNTING, REPORTING AND REVIEW PLACED THE STATE DEPARTMENT OF EDUCATION IN THE ROLE OF A PROGRAM SERVICE AGENCY THAT PROVIDES FIELD ASSISTANCE RATHER THAN THE TRADITIONAL PAPER SHUFFLING. OUR STATUTES DIRECT THE STATE DEPARTMENT OF EDUCATION TO EVALUATE ONE-THIRD OF THE SCHOOL DISTRICTS EACH YEAR. I ASSURE YOU THESE ARE THOROUGH, AND AREAS OF CONCERN ARE TREATED ON-SITE.

OUR EXECUTIVE RECOMMENDATIONS REQUIRE MORE FUNDING FOR PROGRAMS THAT ARE REVIEWED AND FUNDED ON A SUBJECTIVE BASIS WITH A PINPOINTING OF RESPONSIBILITIES. THE STATE SUPERINTENDENT OF PUBLIC INSTRUCTION AND MY OFFICE PROVIDE DUAL APPROVAL OF A SUBSTANTIAL APPROPRIATION THAT IS DIRECTED PRIMARILY TOWARD UNDERWRITING IMAGINATIVE, INNOVATIVE PROGRAMS OF THAT TYPE THAT ARE INTENDED TO BRING ABOUT PREDICTED RESULTS. BECAUSE OF OUR HEAVY STATE SUPPORT AND THE FACT THAT OUR LEGISLATORS SPEND MOST OF THEIR TIME AT HOME, THEY ARE ALWAYS MADE AWARE OF PROBLEMS, URGENT NEEDS AND EVEN COMPLAINTS. TO A DEGREE, THIS IS GOOD, FOR THE LEGISLATORS MUST BE ABLE TO DISTINGUISH BETWEEN THE POSSIBLE AND THE UNOBTAINABLE. IT IS DIFFICULT UNDER SUCH CIRCUMSTANCES FOR A LEGISLATOR TO PROMISE UNLIMITED DOLLAR SUPPORT FOR SCHOOLS AT HOME WITHOUT REGARD TO TOTAL REVENUES AVAILABLE, FOR THE MOMENT OF TRUTH ARRIVES WHEN HE GOES INTO SESSION. A SYSTEM THAT DEPENDS SO HEAVILY UPON A GOVERNOR'S RECOMMENDATION AND LEGISLATIVE ACTION CANNOT HELP BUT BE RESPONSIVE TO THE GENERAL WILL OF THE PEOPLE.

ANOTHER ADVANTAGE OF A STRONG STATE SUPPORT SYSTEM IS THE SURVEILLANCE OF THE DISTRIBUTION FORMULA. DURING THE PAST TEN YEARS WE HAVE REVISED THE STATE AID FORMULA THREE TIMES AND MADE A NUMBER OF REVISIONS, ADDITIONS AND DELETIONS. THERE IS FAR TOO MUCH AT STAKE TO PERMIT A MATHEMATICAL INTERPOLATION THAT ISN'T DOING THE JOB TO CONTINUE. WE HAVE FOUND THAT IT IS JUST AS FOOLISH WHEN

WE OPERATE UNDER THE ASSUMPTION THAT THERE IS A FORMULA SOMEWHERE THAT WILL AUTOMATICALLY MEET ALL OF THE NEEDS OF THE SCHOOL DISTRICT BY ITSELF, AND AT THE SAME TIME RESPOND TO NEW REQUIREMENTS AS THEY ARISE, AND SIMULTANEOUSLY ADJUST TO THE TAXES NECESSARY TO UNDERWRITE THE OPERATION. MY EXPERIENCE IN WORKING WITH EACH INDIVIDUAL SCHOOL BOARD ON THEIR OWN HOME GROUND IN THE REVIEW OF THE PROPOSED PLAN OF EXPENDITURES INDICATES THAT SUCH A MAGIC METHOD IS NEITHER AVAILABLE NOR POSSIBLE.

I'M SURE THAT IN AN ATTEMPT TO MEET ITS RESPONSIBILITY, THE STATE, AS THE MAJOR CONTRIBUTOR, DOES, IN FACT, ASSUME PREROGATIVES THAT IT WOULD NOT IF THE REVENUE PATTERN WAS REVERSED. WITHOUT DOUBT, OUR NEW MEXICO STATE LEGISLATORS ARE MOST CONSCIOUS OF THE ANNUAL PUBLIC SCHOOL APPROPRIATION AND, THEREFORE, REQUIRE ANSWERS TO QUESTIONS ABOUT PUPIL-TEACHER RATIOS, DROPOUTS, COURSE OFFERINGS AND CORRELATIONS WITH COLLEGE ENTRANCE, FEDERAL PROGRAMS AND THEIR EFFECT UPON THE REGULAR OFFERINGS, SCHOOL DISTRICT EXPENDITURES, POSSIBLE ECONOMIES, CONSOLIDATION, REORGANIZATION AND EVEN THE EXTENT OF OUT-OF-STATE TRAVEL OF SCHOOL EMPLOYEES AS WELL AS BOARD MEMBERS.

I CANNOT OVEREMPHASIZE THE LEGISLATIVE INTEREST IN THE OPERATION OF PUBLIC SCHOOLS THAT EXISTS UNDER SUCH CIRCUMSTANCES. ON THE AVERAGE, SCHOOL DISTRICTS IN NEW MEXICO RECEIVE ABOUT 77% OF THEIR OPERATIONAL REVENUE DIRECTLY FROM STATE APPROPRIATIONS. OUR SCHOOL DISTRICTS DO NOT HAVE TO BORROW ON TAX ANTICIPATION NOTES AS THEY DO IN SOME STATES IN ORDER TO MEET EXPENDITURE OBLIGATIONS PRIOR TO THE ARRIVAL OF THE SLOW-MOVING "AD VALOREM OXEN". IT'S INTERESTING THAT THESE OLD FRIENDS OF OURSKEEP PLODDING ALONG AND GENERALLY ARRIVE TWICE A YEAR, AND THEN WE'RE NEVER QUITE SURE OF THE COLLECTION LOAD OR THE DELINQUENCY RATE.

EACH SCHOOL DISTRICT RECEIVES A MONTHLY DISTRIBUTION OF STATE ASSISTANCE THAT ENABLES IT TO MEET ITS SALARY AND LOGISTICAL COSTS. BY PROVIDING

SUFFICIENT FUNDS PRIOR TO THEIR NEED, WE HAVE ENCOURAGED OUR PUBLIC SCHOOLS TO INVEST FUNDS AT A LOCAL LEVEL AND, THEREFORE, GENERATE ADDITIONAL REVENUE THROUGH INTEREST EARNED. INCIDENTALLY, WE DON'T TAKE BACK THIS INTEREST; OTHERWISE, WE WOULD BE DEFEATING THE INVESTMENT PROGRAM ITSELF. THE STATE PROVIDES PUPIL TRANSPORTATION ON A 100% BASIS AND, THEREFORE, WE ARE ASSURED THAT OUR CHILDREN, WHO TRAVEL ABOUT 16 MILLION MILES DURING A 180-DAY PERIOD, ARE PROVIDED SAFE PASSAGE TO AND FROM SCHOOL.

SUBSTANTIAL STATE SUPPORT FOR PUBLIC EDUCATION MEANS THAT MORE MONEY WILL BE REQUIRED EVERY YEAR TO MEET INCREASED ENROLLMENT. IT MEANS LOTS MORE MONEY IF WE INTEND TO MEET SOME OF THE INFLATIONARY COSTS OF SERVICES, SUPPLIES, MATERIALS AND OTHER NECESSARY ANNUAL RECURRING EXPENSES. FURTHER, IT MEANS A GREAT DEAL MORE MONEY IF WE INTEND TO PROVIDE FOR INCREASED SALARY IMPROVEMENTS OR IMPLEMENT NEW PROGRAMS. UNDER SUCH CIRCUMSTANCES WE WILL NEVER ENJOY A SINGLE YEAR IN WHICH PUBLIC SCHOOL SUPPORT IS NOT THE KEY LEGISLATIVE ISSUE -- AND PERHAPS THIS IS THE WAY IT SHOULD BE IF WE HONESTLY BELIEVE THAT PUBLIC SCHOOL SUPPORT IS ONE OF OUR KEY INVESTMENTS.

WHEN YOU OPERATE WITHIN A FRAMEWORK WHERE THE STATE IS THE CHIEF PROVIDER, WE FIND THAT THE TRADITIONAL METHOD OF STATE GOVERNMENT ORGANIZATION IS NOT SUITABLE. STATE GOVERNMENT MUST BE IN TUNE WITH THE NEEDS OF OUR SOCIETY AND THOSE NEEDS CANNOT BE CONTAINED IN NICE, NEAT BOXES LABELED "EDUCATION", "REVENUE","WELFARE", "POLICE", "HEALTH", "ECONOMIC DEVELOPMENT", ETC. RATHER, GOVERNMENTAL AGENCIES, IF GRAPHICALLY ILLUSTRATED, SHOULD APPEAR AS A SERIES OF OVERLAPPING CIRCLES WITH DIMENSIONS THAT DO CAUSE GRAY AREAS. EACH AGENCY DEPENDS UPON THE OTHERS AND NONE STAND ALONE. THE NEVER-ENDING SEARCH FOR MORE FUNDS CAUSED THE BUREAU OF REVENUE TO DILIGENTLY APPLY ITSELF TO HARD-NOSED COLLECTIONS; THE STATE TREASURER AND THE INVESTMENT COUNCIL WORK WITH DEDICATION

TO BRING IN TOP EARNINGS FROM INVESTMENTS; THE PROPERTY APPRAISAL DEPARTMENT PURSUES A STRONG COURSE OF ACTION WITH REFERENCE TO ASSESSMENT RATIOS, AND ALL OTHER STATE AGENCIES HAVE TO COMPETE BECAUSE THE EDUCATION APPROPRIATION RECEIVES SUCH TOP PRIORITY FOR AVAILABLE REVENUE. IT'S NICE TO KNOW THAT EDUCATION IS CONSIDERED IMPORTANT IN OUR STATE AND THAT WE'RE FIRST IN LINE. I ALSO ASSURE YOU THAT THIS POSITION DEMANDS RESPONSIBLE ACTIONS AND HONEST REVELATIONS.

WHEN THE STATE BECOMES THE MAJOR PARTNER, THE EQUALITY OF EDUCATIONAL OPPORTUNITIES BECOMES PARAMOUNT. OUR STATE HAS RECOGNIZED THAT BOTH FINANCIAL AND EDUCATIONAL INEQUALITIES EXIST AND HAS TAKEN GREAT STRIDES (AND, I'M PLEASED TO SAY, PRIOR TO THE SERRANO CASE) TO INSTITUTE SENSIBLE SECONDARY AND SUPPLEMENTAL DISTRIBUTIONS. WE'VE STILL GOT A LONG WAY TO GO, BUT WE BELIEVE IN BUILDING OUR SCHOOLS UP RATHER THAN TEARING PECULIAR DISTRICTS DOWN.

I RECENTLY REVIEWED RICHARD ROSSMILLER'S <u>FULL STATE FUNDING OF EDUCATION</u> AND FOUND IT TO BE AN EXCELLENT PRESENTATION. I DO TAKE ISSUE WITH A FEW OF HIS STATEMENTS, IN PARTICULAR THE FOLLOWING: "<u>RESEARCH DOES NOT SUPPORT THE CONTENTION THAT A HIGH LEVEL OF STATE FUNDING IS ALWAYS ACCOMPANIED BY THE IMPOSITION OF RIGID CONTROLS OVER LOCAL SCHOOL DISTRICTS. ALTHOUGH FULL STATE FUNDING MAY REDUCE THE DECISION-MAKING PARAMETER OF LOCAL SCHOOL BOARDS, THERE IS NO REASON WHY FULL STATE FUNDING MUST INEVITABLY LEAD TO A REDUCTION OF LOCAL CONTROL</u>." I KNOW DR. ROSSMILLER AND CERTAINLY RESPECT HIS RESEARCH INTO THIS MATTER; HOWEVER, IT ISN'T SO.

LET ME GIVE YOU SOME OF THE POSITIONS THAT I HAVE VIEWED FOR A NUMBER OF YEARS, NOT UNDER FULL STATE FUNDING BUT UNDER SUBSTANTIAL STATE FUNDING. IT APPEARS AS THOUGH THE PENDULUM HAS GONE JUST A BIT TOO FAR AND MANY LOCAL BOARDS OF EDUCATION MAY BELIEVE THEY DO NOT HAVE ENOUGH WORTHWHILE FUNCTIONS TO PERFORM. INASMUCH AS THE TAX RATE, OTHER THAN DEBT SERVICE, HAS NO FLEX-

IBILITY, THE LOCAL BOARD SERVES AS THE EMPLOYING AUTHORITY AND SPENDER OF MONEY UNDER A NUMBER OF EXPLICIT STATE STATUTES. A LOCAL BOARD MEMBER CAN DO WHATEVER HE LIKES AS LONG AS HE COMPLIES WITH THE STATUTES, RULES AND REGULATIONS. THIS UNBALANCED PARTNERSHIP PROVIDES THE PROPER GROUND FOR THE LEGISLATURE TO BECOME THE SUPER BOARD OF EDUCATION. I FIND THAT LEGISLATIVE COMMITTEES ARE BECOMING NOT ONLY INVOLVED IN THE STUDY OF SCHOOL DISTRICTS BUT ALSO IN THE ACTUAL DISTRICT OPERATION. A LEGISLATOR WHO SERVES ON A COMMITTEE THAT PROVIDES CAN WALK INTO A SCHOOL AND MAKE A SUGGESTION IN CONNECTION WITH ITS OPERATION, AND THAT URGING IS TANTAMOUNT TO A MANDATE. CAN YOU IMAGINE A LOCAL BOARD SAYING "NO" WHEN IT REALIZES THAT ITS VERY EXISTENCE DEPENDS UPON LEGISLATIVE ACTION? THE FINE LINE OF EXECUTIVE, LEGISLATIVE AND LOCAL BOARD RESPONSIBILITY IS OFTEN CROSSED DELIBERATELY AND IGNORED BY THOSE WHO FEEL THAT THEY ARE COERCED.

I'M TOLD THAT WHEN THE DAY OF THE STATEWIDE SCHOOL SYSTEM ARRIVES THERE WILL BE VARIOUS COMMITTEES APPOINTED TO SERVE AS SOUNDING BOARDS. THIS IS SHEER FOOLISHNESS AND OFTENTIMES WINDOW DRESSING LIKE THE AD HOC COMMITTEE OR TASK FORCE THAT IS HURRIEDLY ASSEMBLED TO GIVE THE BLESSING TO A PROPOSAL THAT HAS ALREADY BEEN PREDETERMINED.

WITH HEAVY STATE SUPPORT WE FIND THAT INDIVIDUALS OR GROUPS OF EMPLOYEES THAT HAVE COMPLAINTS OR REQUESTS DODGE THEIR LOCAL BOARDS AND TAKE THEIR POSITION DIRECTLY TO THE LEGISLATURE. THE MORE OFTEN THIS HAPPENS, THE FURTHER THE AUTHORITY AND EVENTUALLY THE INTEGRITY OF THE BOARD IS REDUCED. IN TIME LOCAL BOARD MEMBERS FIND THIS PATTERN AN EXCELLENT ESCAPE MECHANISM THAT CAUSES THE BOARD MEMBER TO NEVER SAY "NO" AND BY DODGING HIS RESPONSIBILITY, SKILLFULLY PASSES THE BUCK TO THE LEGISLATURE.

WHEN DR. ROSSMILLER SAYS THAT FULL STATE FUNDING WOULD NOT, IN A SENSE, CAUSE A REDUCTION OF LOCAL CONTROL, I WISH HE HAD LOOKED CAREFULLY INTO THE

ISSUE OF FEDERAL FUNDING. LAST YEAR THE FEDERAL GOVERNMENT PROVIDED LESS THAN 10% OF OUR OPERATIONAL FUND REVENUE AS COMPARED TO THE LOCAL AND COUNTY 16% AND THE STATE 74%, YET WE GO THROUGH OUR ANNUAL FEDERAL FUNDING CRISIS SUCH AS A CURTAILMENT OF SCHOOL LUNCH REIMBURSEMENTS, REDUCTIONS IN P. L. 874 OR CUTBACKS IN TITLE I IN AN ALMOST PSYCHOTIC MANNER. MANY OF US STILL RECALL THE EARLY DAYS OF FEDERAL AID TO EDUCATION AND THE TECHNIQUES USED TO ENTICE EDUCATIONAL LEADERS. STATEMENTS SUCH AS -- "ALL WE AT THE FEDERAL LEVEL WILL DO IS PROVIDE YOU WITH THE DOLLARS AND FROM THERE ON THE LOCAL COMMUNITY HAS THE RESPONSI BILITY." "REMEMBER, FOLKS, THERE WILL BE NO STRINGS ATTACHED." SINCE THOSE EUPHORIC DAYS THE TUNE HAS CHANGED. NOW WE HEAR -- "IF YOU DON'T DO THIS OR THAT, YOU WON'T GET THIS FREE MONEY." IT SORT OF REMINDS ME OF THE NOW FAMOUS ALKA SELTZER COMMERCIAL, "TRY IT, YOU'LL LIKE IT." BY NOW MANY BOARD MEMBERS FEEL LIKE THE FELLOW SITTING ON THE EDGE OF THE BED LOOKING RATHER PALE AND SAYING IN A HUSHED VOICE - "I CAN'T BELIEVE I ATE THE WHOLE THING!" WHO CALLS THE SHOTS AS TO HOW, WHERE AND WHEN FEDERAL FUNDS WILL BE EXPENDED? THE LOCAL BOARD OF EDUCATION? YOU THINK ABOUT THAT ONE. CAN YOU IMAGINE -- IF LOCAL BOARD MEMBERS ARE TURNED INTO PLEADING BEGGARS IN TRYING TO OBTAIN LIMITED REVENUE, WHAT IT WOULD BE LIKE IF OUR BENEVOLENT PARTNER TOSSED OUT 30% ON A LINE AND SLOWLY REELED IT BACK.

NO, I DO NOT BELIEVE THAT THE CENTRALIZED, SINGLE, STATEWIDE SCHOOL SYSTEM IS THE ANSWER. IF WE BELIEVE THAT IS THE ROUTE TO GO, THEN WE MAY AS WELL GO ALL THE WAY AND STRIVE FOR A NATIONAL SCHOOL DISTRICT, AND CONGRESS CAN ASSUME THE ROLE OF THE "SUPREME BOARD" AIDED BY THE COURTS SERVING AS THE "ULTRA BOARD".

A LOCAL BOARD OF EDUCATION HAS A PLACE IN OUR AMERICAN SOCIETY. PERHAPS THE INVOLVEMENT AND PURPOSE MUST BE CHANGED TO MEET THE DEMANDS OF THE PEOPLE WHO ELECTED YOU, BUT THEY NEED REPRESENTATION CLOSE AT HAND. YOUR POSITION IS CLEAR IN THAT YOU SERVE YOUR CONSTITUENTS TO DO WHAT IS BEST FOR THE CHILDREN

OF YOUR AREA. WE, AT STATE LEVEL, MUST GUARANTEE DOLLARS FOR EDUCATION THAT ARE IN THE BEST INTERESTS OF ALL THE PEOPLE OF THE STATE BUT STILL PERMIT THE HOPES AND ASPIRATIONS OF EACH COMMUNITY TO FLOURISH.

A NUMBER OF YEARS AGO DR. JESSE BURKHEAD, WHO WAS AT THAT TIME AT SYRACUSE UNIVERSITY, UNDERTOOK A STUDY TO FIND OUT WHAT ELEMENTS WERE REQUIRED IN A PROGRAM OF QUALITY EDUCATION. HE LOOKED AT THE WHOLE PACKAGE AND LET ME QUOTE YOU HIS CONCLUSIONS:

> "IT IS, OF COURSE, OBVIOUS THAT SOME OF THESE DIFFERENCES ARE ATTRIBUTABLE TO THE ABILITIES OF PUPILS, THE ATTITUDES OF THE COMMUNITY, THE EDUCATION OF ADULTS, AND THE AMOUNT OF RESOURCES DEVOTED TO EDUCATION. ON THE OTHER HAND, IT IS EQUALLY CLEAR THAT THERE ARE GREAT DIFFERENCES IN THE QUALITY OF EDUCATION IN COMMUNITIES THAT HAVE ESSENTIALLY THE SAME CHARACTERISTICS. SCHOOLS VARY ENORMOUSLY IN QUALITY; THEY VARY IN DIFFERENT KINDS OF COMMUNITIES, AND IN THE SAME KINDS OF COMMUNITIES.
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> THERE ARE HIGH EXPENDITURE SCHOOLS THAT ARE GOOD SCHOOLS; THERE ARE HIGH EXPENDITURE SCHOOLS THAT ARE POOR SCHOOLS; THERE ARE SOME LOW EXPENDITURE SCHOOLS THAT ARE EXTREMELY GOOD. THIS HIGHLY CONFUSED SITUATION IS EXACTLY WHAT ONE WOULD EXPECT TO FIND WHERE THERE ARE A GREAT MANY THINGS THAT AFFECT THE QUALITY OF THE SCHOOL. MANY OF THESE INFLUENCES ARE INDEPENDENT OF EACH OTHER, AND MANY OTHERS ARE TIED TOGETHER IN EXTREMELY SUBTLE WAYS. IT IS NOT SURPRISING THAT A NUMBER OF FACTORS THAT ARE ASSOCIATED WITH GOOD SCHOOLS TEND TO CLUSTER TOGETHER. GOOD TEACHERS TEND TO BE ATTRACTED TO GOOD SCHOOLS. GOOD SUPERVISION, GOOD ADMINISTRATION, AND HIGH EXPENDITURE LEVELS ARE ASSOCIATED WITH GOOD SCHOOLS. STRONG COMMUNITY INTEREST AND GOOD SCHOOLS GO TOGETHER.

IT WOULD APPEAR THAT PERHAPS ONE-THIRD OF THE FACTORS AFFECTING THE QUALITY OF THE SCHOOLS HAVE SOME RELATIONSHIP TO EXPENDITURE LEVELS; BUT IF ALL SCHOOLS IN THE UNITED STATES HAD THE SAME EXPENDITURE LEVEL, THERE WOULD STILL BE ENORMOUS DIFFERENCES IN THE QUALITY OF EDUCATION. IN FACT, THERE ARE SOME REASONS TO BELIEVE THAT QUALITY DIFFERENCES WOULD BE REDUCED VERY LITTLE EVEN IF EXPENDITURE LEVELS WERE EQUATED. WE ARE A VERY LONG WAY FROM A COMPLETE UNDERSTANDING OF THE CAUSAL FACTORS THAT EXPLAIN VARIATIONS IN THE QUALITY OF EDUCATION."

WE KNOW THAT MONEY ALONE WILL NOT SOLVE THE PROBLEMS NOR BRING ABOUT DESIRED CHANGES. IT APPEARS REASONABLE TO ASSUME, IF WE ARE SOMEWHAT SURE OF DIRECTIONS WE WISH TO TAKE, THAT A MORE COURAGEOUS ATTEMPT BE MADE TO EVALUATE THE PURPOSE AND QUALITY OF THE CURRENT EXPENDITURES AS WELL AS THE REVENUE-PRODUCING AGENTS.

FAR TOO OFTEN PATTERNS OF EXPENDITURES ARE RE-ESTABLISHED ANNUALLY WITHOUT REGARD TO THE PURPOSE OR BENEFITS OBTAINED. FOR EXAMPLE, IT IS NOT UNCOMMON FOR A DISTRICT TO ADD REMEDIAL READING PERSONNEL TO A BUDGET WITH THE RATIONALE THAT THE PRESENT PROGRAM IS NOT BRINGING ABOUT PREDICTED RESULTS. THERE IS A BUILT-IN RESISTANCE TOWARD FOCUSING ATTENTION UPON THE SUM OF THE TOTAL EFFORT AND MAKING CHANGES WITHIN, AS OPPOSED TO THE ADDITIVE TECHNIQUE. THIS IS A COSTLY PROCEDURE. IT TAKES MORE MONEY TO MAINTAIN THAT WHICH IS NOT PRODUCING AND IT TAKES ADDITIONAL DOLLARS TO UNDERTAKE HALF-HEARTED ATTEMPTS TO IMPROVE THE SITUATION. THERE ARE MANY ELEMENTS OF EXPENDITURES THAT CAN BE REDUCED WITHOUT DOWNGRADING THE QUALITY OR EFFECTIVENESS OF THE EDUCATIONAL OPPORTUNITY. WHY DO WE INSIST THAT ONLY A CERTIFIED TEACHER, GENERALLY WITH A MASTER'S DEGREE, IS THE ONLY ONE COMPETENT TO TEACH DRIVER TRAINING? PRIVATE OPERATIONS

PROVIDE SUCH TRAINING THAT IS ACCEPTABLE TO THE STATE AND INSURANCE COMPANIES; HOWEVER, THEY ARE NOT BOUND BY SUCH A FOOLISH RESTRICTION. THIS CREDENTIAL BARRIER IS COSTLY AND MAY, IN MANY INSTANCES, ACTUALLY DEPRIVE A STUDENT. WHY CAN'T WE EMPLOY OR CONTRACT THE PROPER PERSONNEL ON AN HOURLY OR DAILY WAGE TO PROVIDE SOME SPECIAL SERVICE THAT MAY BE REQUIRED FOR A MINIMAL ENROLLMENT? THERE ARE MANY AREAS OF EXPENDITURE THAT SHOULD BE HONESTLY SCRUTINIZED TO DETERMINE IF THEY ARE INDEED NECESSARY. I RECENTLY REVIEWED SOME OUT-OF-STATE TRAVEL REQUESTS FOR THE PURPOSE OF "TEACHER RECRUITMENT". SINCE I WAS FAMILIAR WITH THE BACKLOG OF TEACHER APPLICANTS AVAILABLE AND THE APPROXIMATE NUMBER OF COLLEGE GRADUATES WHO ARE SEARCHING FOR WORK, I ASKED WHY IT WAS NECESSARY TO TRAVEL TO OTHER STATES. THE ANSWER WAS, "WE ALWAYS RECRUIT AT THIS TIME OF THE YEAR." IT IS THE LOCAL BOARD'S RESPONSIBILITY TO REVIEW THE QUALITY OF THE EXPENDITURE.

IF THE LOCAL REAL ESTATE TAX CAN NO LONGER BEAR THE MAJOR SHARE OF FINANCING PUBLIC EDUCATION, WE SHOULD LOOK TOWARD OTHER SOURCES. IN NEW MEXICO THE PROPERTY TAX PROVIDES ABOUT 3.8% OF THE GENERAL FUND ESTIMATED REVENUES. SALES AND COMPENSATING TAXES PROVIDE 47.8%; NON-TAX REVENUES, MINERAL LEASING INCOME AS WELL AS PERMANENT FUND AND LAND INCOME PROVIDES 13.2% AND ALL OTHER 8.4%. THE ANNUAL COMPETITION AMONG ALL GOVERNMENTAL AGENCIES FOR THESE ESTIMATED REVENUES CREATES A GREAT DEAL OF EXCITEMENT AND CAUSES, OR AT LEAST IS SUPPOSED TO CAUSE, MORE REALISTIC BUDGET ANALYSIS TO BE MADE BY BOTH THE EXECUTIVE AND LEGISLATIVE REVIEWERS. I SAY "SUPPOSED TO CAUSE" BECAUSE IT DOESN'T ALWAYS HAPPEN AND LEGISLATIVE LOG-ROLLING IS NOT AN UNCOMMON PRACTICE. NEVERTHELESS, ONCE THE LEVELS OF EXPENDITURE REACH THE LIMITS OF THE ESTIMATED REVENUE, WE HAVE A BUILT-IN PROBLEM FOR THE ENSUING FISCAL YEAR. THAT IS, UNLESS THE SAME TAX BASE PROVIDES A GREATER YIELD DUE TO GROWTH. UNFORTUNATELY, THIS EXPERIENCE DOES

HAPPEN FREQUENTLY, AND IF IT DOES, THE ADDITIONAL REVENUE IS GENERALLY CLASSIFIED AS A "WINDFALL" THAT WILL NOT OCCUR AGAIN. THE GENERAL FUND GROWTH OF A NON-INDUSTRIALIZED STATE SUCH AS OURS CANNOT KEEP UP WITH THE ANNUAL RECURRING REQUIREMENT -- EXPENDITURES TEND TO OUTRACE REVENUES. NOW WHAT DO WE DO? WELL, INTERIM LEGISLATIVE COMMITTEES SEARCH FOR WAYS TO INCREASE TAXES IN SOME AREAS, REDUCE TAXES IN OTHERS, OR DEVISE NEW ONES. AT THE PRESENT TIME WE ARE EYEING SEVERANCE TAXES FOR POSSIBLE INCREASE AS WELL AS UTILITIES. THE ADJUSTMENTS PROVIDE TEMPORARY RELIEF AND THE END RESULT IS AGAIN THE PROBLEM OF EXPENDITURES OVERTAKING REVENUE. ONE ALTERNATIVE THAT IS PERIODICALLY PROPOSED IS A SLIDING INCOME TAX RATE THAT IS ADJUSTED ANNUALLY TO MAKE UP THE DIFFERENCE BETWEEN ESTIMATED REVENUE AND ESTIMATED APPROPRIATIONS. THERE IS A GREAT DEAL OF OPPOSITION TO THIS APPROACH BECAUSE OF THE MANY LOOPHOLES IN THE FEDERAL TAX LAWS, WHICH SERVE AS A BASIS FOR STATE INCOME TAX, THAT PERMIT THE WEALTHIEST TO PAY THE LEAST WHEREAS THE MIDDLE INCOME TAXPAYER WILL BE HARNESSED WITH AN EVER-INCREASING BURDEN. ON THE OTHER HAND SUCH A TECHNIQUE WOULD IMPROVE THE LOT OF THE LOW FIXED INCOME TAXPAYER WHO MAY IN SOME AREAS BE CRUSHED BY EVER-INCREASING PROPERTY TAX LEVIES.

WE ARE INDEED IN A DILEMMA WHEN IT COMES TO TAXING FOR THE SUPPORT OF GOVERNMENTAL SERVICES. ALL OF US DEMONSTRATE AN AMBIVALENCE TOWARD THE TAX BASE ITSELF. WE WANT MORE TAX DOLLARS BUT DISLIKE INDUSTRY FOR WHAT IT DOES TO A COMMUNITY. WE DREAM OF THE ENVIRONMENTALLY PURE INDUSTRY THAT PROVIDES WELL-PAID EMPLOYMENT FOR ALL OF THE TOWN'S UNEMPLOYED, BRINGS NO IN-MIGRATION AND PICKS UP THE MAJOR SHARE OF THE TAX REQUIREMENT -- AND, IF A DISTRICT EVER DID FIND THIS MARVEL, YOU CAN BE SURE THE COURTS WOULD BE CALLED UPON TO ACT BECAUSE SUCH A SYSTEM WOULD BE LIKENED TO BEVERLY HILLS OR SOME WEST TEXAS OIL TOWN.

I HOPE THAT THIS PRESENTATION HAS STIMULATED YOU FOR FURTHER PARTICIPATION IN THIS CLINIC. THERE ARE NO EASY ANSWERS OR SIMPLE SOLUTIONS WHEN WE SEEK NEW WAYS TO FINANCE PUBLIC EDUCATION. DON'T THROW YOUR HANDS UP IN DESPAIR AND SURRENDER TO "BIG BROTHER". HE DOESN'T HAVE THE ANSWERS EITHER. THE STATE AND FEDERAL GOVERNMENTS CAN BE EFFECTIVE IN ASSISTING LOCAL BOARDS OF EDUCATION AS LONG AS THERE IS AN HONEST PARTNERSHIP THAT PERMITS LOCAL AUTHORITY AS WELL AS RESPONSIBILITY TO EXIST.

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